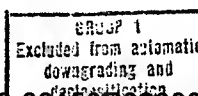


MEMORANDUM FOR : Deputy Director for Support

SUBJECT : Relationship Between Overseas Medical Program and
GEHA Hospitalization Insurance Coverage

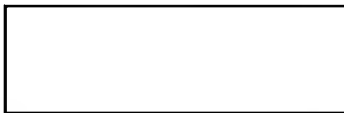
1. This memorandum suggests action on your part; this action is suggested in paragraph 5.
2. For the past several years we have offered, as one means of absorbing dollar reductions imposed on the Office of Personnel or the Support Services, a suggestion to transfer the major cost of our Overseas Medical Program from the Agency to the insurance industry. This could be achieved simply by reversing the present procedure whereby all claims, except those clearly excluded, e.g., maternity, are first reviewed for payment under the Agency's Overseas Medical Program. If found to be a valid charge, Agency funds are used. If the claim is not payable under the Overseas Medical Program, it is then referred to the Insurance Branch for consideration under the employee's hospitalization insurance coverage. Our suggestion was to reverse this procedure and require that overseas claims first be paid by the employee's hospitalization insurance. The Agency would fund allowable charges not paid by insurance.
3. We have had concerns other than budget about the present procedure. Briefly stated, these stem principally from the fact that the Agency is contributing to an employee's hospitalization insurance premium, is subsidizing a portion of the cost of maintaining an Insurance Branch, and yet, is paying the major portion of medical expenses incurred by employees and their dependents while overseas.
4. We have only now learned that the Comptroller General of the United States has raised many of the same questions as a result of a review of the Department of State's overseas medical program. The Comptroller General's report is also attached for your information. In essence, the Comptroller General has concluded that substantial savings can be achieved if Department of State employees covered by the American Foreign Service Protective Association hospitalization plan first submit their claims for payment under that plan rather than to the Department of State for payment under its overseas medical program.

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5. It is not unlikely that our Overseas Medical Program and our present practice may receive the same attention by the Comptroller General as was given to the Department of State's program. We feel that you should be aware of the Comptroller General's study of the Department of State's program. We also believe that the time has come for the Agency to take some action with respect to the relationship between our Overseas Medical Program and an employee's hospitalization coverage and suggest that we meet within the near future for a discussion of this matter.



Acting Director of Personnel

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